

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Troy	County Newaygo
Fiscal Year End March 31, 2006	Opinion Date September 8, 2006	Date Audit Report Submitted to State September 25, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 West Main Street		City Fremont	State MI
Authorizing CPA Signature <i>Jodi DeKuiper, CPA</i>		Printed Name Jodi DeKuiper, CPA	Zip 49412
		License Number 1101021180	

**TOWNSHIP OF TROY
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2006

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TOWNSHIP OF TROY

Board Members

	<u>Position</u>
Bruce McGhan	Supervisor
Lisa Fletcher	Treasurer
Maxine Wolgamott	Clerk
Gayle Wolgamott	Trustee
Loretta Wolgamott	Trustee



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Township of Troy
Newaygo County

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Troy Township, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 20 through 23, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

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inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Troy Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
September 8, 2006

TOWNSHIP OF TROY

Management's Discussion and Analysis March 31, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 14% from a year ago - increasing from \$113,000 to \$129,000. This was the result of funds from State (Metro Act and National Forest) and increase in cemetery fees not previously collected. In a condensed format, the table below shows key financial information (in future years, when more information is available, a comparative analysis will be made):

	Governmental Activities <u>2006</u>
Current Assets	\$ 126,326
Noncurrent Assets	<u>3,927</u>
Total Assets	<u>\$ 130,253</u>
Long-Term Debt Outstanding	\$ -
Other Liabilities	<u>1,122</u>
Total Liabilities	<u>\$ 1,122</u>
Net Assets	
Invested in Capital Assets-Net of Debt	\$ 3,927
Unrestricted	<u>125,204</u>
Total Net Assets	<u>\$ 129,131</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, increased by \$15,896 for the governmental activities. This represents an increase of approximately 14%.

	Governmental Activities <u>2006</u>
Program Revenues	
Charges for Services	\$ 2,550
General Revenues	
Property Taxes	34,234
State Shared Revenues	16,412
Investment Earnings	2,809
Miscellaneous	<u>14,102</u>
Total Revenues	\$ 70,107

Management's Discussion and Analysis (Continued)

Program Expenses	
General Government	24,618
Public Safety	14,353
Public Works	<u>15,240</u>
Total Expenses	<u>54,211</u>
Change in Net Assets	<u>\$ 15,896</u>

The Township's total net assets continue to remain healthy. The total revenues increased slightly, and expenses increased by about the same amount. As a result, net assets grew by \$15,896, about the same as last year.

Governmental Activities

The Township's total governmental revenues increased by about \$9,300. The following revenues in not reported in the prior year: Metro Act, National Forest, and Cemetery fees. These increases were off-set by decreases in State revenue.

Expenses increased by about \$9,300 over the prior year largely due to road improvements made this year which were not made in the prior year..

Business-Type Activities

The Township had not business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Fire Fund, the Road Fund, and the Cemetery Fund.

General Fund Budgetary Highlights

The Township Board made minor amendment to the budget at the end of the year to take into account events during the year. However, the Board over-expended on two activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$12,398 invested in capital assets, including land and buildings. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2007 calls for a small increase in property taxes due to the limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will remain about the same with a small increase and other revenue was decreased substantially until known events occur. The expenditure budget was increased by almost 20% over the 2006 budget. This increase was largely due to the increase in the cemetery budget (\$4,200) for planned improvements using the cemetery millage.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

TOWNSHIP OF TROY

Government Wide Statement of Net Assets March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash and Investments	\$ 121,650
Taxes Receivable	3,393
Accounts Receivable-Fiduciary Funds	1,122
Prepaid Insurance	161
Property and Equipment	12,398
Accumulated Depreciation	<u>(8,471)</u>
 Total Assets	 130,253
 Liabilities and Net Assets	
 Liabilities	
Accounts Payable	<u>1,122</u>
 Total Liabilities	 1,122
 Net Assets	
Invested in Capital Assets	
Net of Related Debt	3,927
Unrestricted	<u>125,204</u>
 Total Net Assets	 <u><u>\$ 129,131</u></u>

The Notes to the Financial Statements are an integral part of this statement

TOWNSHIP OF TROY

Government Wide Statement of Activities For the Year Ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 24,618	\$ 2,550	\$ (22,068)
Public Safety	14,353	-	(14,353)
Public Works	<u>15,240</u>	<u>-</u>	<u>(15,240)</u>
Total Primary Government	<u>\$ 54,211</u>	<u>\$ 2,550</u>	(51,661)

General Revenues

Property Taxes - Levied for General Purpose	\$ 8,004
Property Taxes - Levied for Public Safety	17,533
Property Taxes - Levied for Cemetery Operation	4,382
Property Taxes - Levied for Public Works	4,315
State Sources	16,412
Interest Income	2,809
Miscellaneous	<u>14,102</u>

Total General Revenues	<u>67,557</u>
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Change in Net Assets	15,896
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Net Assets - Beginning 2004	<u>113,235</u>
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Net Assets - Ending 2005	<u><u>\$ 129,131</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF TROY

Governmental Fund Balance Sheet

March 31, 2006

	General Fund	Fire Fund	Cemetery Fund	Road Fund	Total (Memo Only)
Assets					
Cash	\$ 45,731	\$ 19,382	\$ 17,748	\$ 16,687	\$ 99,548
Certificates of Deposit	11,117	-	5,523	5,462	22,102
Due from Other Funds	1,325	94	26	3,060	4,505
Taxes Receivable	793	1,738	434	428	3,393
Total Assets	<u>\$ 58,966</u>	<u>\$ 21,214</u>	<u>\$ 23,731</u>	<u>\$ 25,637</u>	<u>\$ 129,548</u>
Liabilities					
Accounts Payable	\$ 1,122	\$ -	\$ -	\$ -	\$ 1,122
Due to Other Funds	3,034	-	349	-	3,383
Total Liabilities	4,156	-	349	-	4,505
Fund Equity					
Unrestricted	54,810	21,214	23,382	25,637	125,043
Total Liabilities and Fund Equity	<u>\$ 58,966</u>	<u>\$ 21,214</u>	<u>\$ 23,731</u>	<u>\$ 25,637</u>	<u>\$ 129,548</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF TROY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2006

Total Governmental Fund Balances	\$	125,043
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.	161
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	12,398
Governmental Accumulated Depreciation	<u>(8,471)</u>

Total Net Assets - Governmental Activities:	<u>\$</u>	<u>129,131</u>
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The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF TROY

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2006

	General Fund	Fire Fund	Cemetery Fund	Roads Fund	Total Governmental Funds
Revenues					
Taxes	\$ 8,004	\$ 17,533	\$ 4,382	\$ 4,315	\$ 34,234
State Grants	16,412	-	-	-	16,412
Interest	1,400	420	533	456	2,809
Miscellaneous	7,412	-	2,550	6,690	16,652
Total Revenues	33,228	17,953	7,465	11,461	70,107
Expenditures					
General Government	\$ 16,332	\$ -	\$ 4,921	\$ -	\$ 21,253
Public Safety	1,200	13,153	-	-	14,353
Public Works	-	-	-	15,240	15,240
Unallocated	1,569	-	-	-	1,569
Capital Outlay	1,806	-	-	-	1,806
Total Expenditures	20,907	13,153	4,921	15,240	54,221
Excess Revenue Over (Under) Expenditures	12,321	4,800	2,544	(3,779)	15,886
Fund Balance - Beginning	42,489	16,414	20,838	29,416	109,157
Fund Balance - Ending	<u><u>\$ 54,810</u></u>	<u><u>\$ 21,214</u></u>	<u><u>\$ 23,382</u></u>	<u><u>\$ 25,637</u></u>	<u><u>\$ 125,043</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF TROY

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	15,886
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Amounts reported for governmental activities in the statement of activities are different because:

Prepaid expenses reflect amounts that will be paid in a future period:

Current Year Prepaid Insurance	161	
Prior Year Prepaid Insurance	<u>(151)</u>	10

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	1,806	
Capital outlay reported as expenses in statement of activities	(1,806)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	-	
Depreciation expense reported in the statement of activities	<u>-</u>	-

Changes in Net Assets - Governmental Activities	\$	<u>15,896</u>
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The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF TROY

Statement of Net Assets - Fiduciary Funds March 31, 2006

	<u>Tax Fund</u>
Assets	
Cash	<u>\$ 1,122</u>
Total Assets	<u><u>\$ 1,122</u></u>
Liabilities and Net Assets	
Liabilities	
Due to Other Funds	\$ 1,122
Due to County	-
Due to Schools & ISD	-
Due to Community College	<u>-</u>
Total Liabilities	1,122
Net Assets	
Unreserved	<u>-</u>
Total Liabilities and Net Assets	<u><u>\$ 1,122</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF TROY

Notes to the Financial Statements For the Year Ended March 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Troy Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Troy Township. In fiscal year 2004, the City adopted GASB Statement No. 34, *"Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments."* GASB Statement No. 34 requires new basic financial statements for reporting on the Township's financial activities. The effect of this change was to include management's discussion and analysis and include the government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information on major funds, rather than by fund type.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes which are recorded as revenue in the year of levy. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$3,394 were received in June 2006, which exceeds the general rule (60 days), however is soon enough to pay liabilities of the current period. These taxes have been recorded as revenue for the current year.

Notes to the Financial Statements (continued)

The 2005 taxable valuation of the Township was \$8,768,793 on which ad valorem taxes, before Headlee rollback, consisted of 1 mill for general operating, 2 mills for fire operating and protection, .5 mills for cemetery operating and maintenance, and .5 mills for road maintenance raising \$8,004 for operating, \$17,533 for fire operating and protection, \$4,382 for cemetery operating and maintenance, and \$4,315 for road maintenance. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

The Cemetery Fund accounts for property tax revenues that are restricted for the operation and maintenance of the cemetery land held by the township.

The Road Fund accounts for property tax and National Forest revenues that are restricted for the repair, improvement, and maintenance of the township roads.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Notes to the Financial Statements (continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, building and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, building and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years

Salvage value is estimated at 10% of cost

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. As of March 31, 2006 the Township has no outstanding debt.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. No amendments are approved during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were materially in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
Cemetery Fund - Cemetery	\$ 1,800	\$ 4,921
Road Fund - Road	3,500	15,240

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 is in accordance with statutory authority.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Primary Government</u>
Cash and Cash Equivalents	\$ 121,650	\$ 1,122	\$ 122,772

Notes to the Financial Statements (continued)

The bank balance of the Township's deposits is \$122,772, of which \$122,103 is covered by federal depository insurance and \$670 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Depositories actively used by the Township during the year are detailed as follows:

1. Lake Osceola State Bank
2. West Shore Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Cemetery Fund	Roads Fund	Total
Property Taxes	\$ 793	\$ 1,738	\$ 434	\$ 428	\$ 3,393
Fiduciary Funds	976	94	26	26	1,122
Less Allowance for Uncollectibles	-	-	-	-	-
Net Receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460</u>	<u>\$ 454</u>	<u>\$ 4,515</u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 2,432	\$ -	\$ -	\$ 2,432
Capital Assets Being Depreciated				
Building	<u>9,966</u>	<u>-</u>	<u>-</u>	<u>9,966</u>
Less Accumulated Depreciation for Building	<u>8,471</u>	<u>-</u>	<u>-</u>	<u>8,471</u>
Net Capital Assets being depreciated	<u>10,903</u>	<u>-</u>	<u>-</u>	<u>10,903</u>
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 13,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,335</u>

There is no current depreciation expense to be charged to programs of the primary government.

Notes to the Financial Statements (continued)

NOTE F PAYABLES

Payables at March 31, 2006, were as follows:

County of Newaygo	\$ 1,048
Miscellaneous	<u>74</u>
Total Payables	<u><u>\$ 1,122</u></u>

NOTE G INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ 1,325	General Fund	\$ 3,034
Fire Fund	94	Cemetery Fund	349
Road Fund	3,060	Trust & Agency Fund	<u>1,122</u>
Cemetery Fund	<u>26</u>		
	<u><u>\$ 4,505</u></u>		<u><u>\$ 4,505</u></u>

All amounts are expected to be paid within one year. The Township had no transfers between funds during the year.

NOTE H RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

TOWNSHIP OF TROY

Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ -	\$ -	\$ 42,489	\$ 42,489
Resources (Inflows)				
Property Taxes	29,000	29,000	8,004	(20,996)
State Shared Revenue	17,000	17,000	16,412	(588)
Interest	-	-	1,400	1,400
Other	7,000	7,000	7,412	412
Amounts Available for Appropriation	53,000	53,000	75,717	22,717
Charges to Appropriations (Outflows)				
General Government	21,571	21,571	18,138	3,433
Public Safety	1,800	1,800	1,200	600
Other Expenditures	3,708	4,079	1,569	2,510
Total Charges to Appropriation	27,079	27,450	20,907	6,543
Budgetary Fund Balance - March 31, 2006	<u>\$ 25,921</u>	<u>\$ 25,550</u>	<u>\$ 54,810</u>	<u>\$ 29,260</u>

TOWNSHIP OF TROY

Required Supplementary Information Budgetary Comparison Schedule for Fire Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ 16,414	\$ 16,414
Resources (Inflows)				
Property Taxes	-	-	17,533	17,533
Interest	-	-	420	420
Amounts Available for Appropriation	-	-	34,367	34,367
Charges to Appropriations				
Contracted Service	13,153	13,153	13,153	-
Budgetary Fund Balance - March 31, 2006	<u>\$ (13,153)</u>	<u>\$ (13,153)</u>	<u>\$ 21,214</u>	<u>\$ 34,367</u>

TOWNSHIP OF TROY

Required Supplementary Information Budgetary Comparison Schedule for Cemetery Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ -	\$ -	\$ 20,838	\$ 20,838
Resources (Inflows)				
Property Taxes	-	-	4,382	4,382
Charges for Services	-	-	2,550	2,550
Interest	-	-	533	533
Amounts Available for Appropriation	-	-	28,303	28,303
Charges to Appropriations				
General Government				
Wages			2,280	
Contracted Service			2,467	
Miscellaneous			174	
Total General Government	1,800	1,800	4,921	(3,121)
Total Charges to Appropriation	1,800	1,800	4,921	(3,121)
 Budgetary Fund Balance - March 31, 2006	 \$ (1,800)	 \$ (1,800)	 \$ 23,382	 \$ 25,182

TOWNSHIP OF TROY

Required Supplementary Information Budgetary Comparison Schedule for Road Fund For the Year Ended March 31, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ 29,416	\$ 29,416
Resources (Inflows)				
Property Taxes	-	-	4,315	4,315
Interest	-	-	456	456
National Forest	-	-	3,570	3,570
Other	-	-	3,120	3,120
Amounts Available for Appropriation	-	-	40,877	40,877
Charges to Appropriations				
Repairs and Maintenance	<u>3,500</u>	<u>3,500</u>	<u>15,240</u>	<u>(11,740)</u>
Budgetary Fund Balance - March 31 ,2006	<u>\$ (3,500)</u>	<u>\$ (3,500)</u>	<u>\$ 25,637</u>	<u>\$ 52,617</u>

TOWNSHIP OF TROY

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Taxes - Current	\$ 29,000	\$ 8,004	\$ (20,996)
State Grants - Shared Revenue	17,000	16,412	(588)
Summer Tax Reimbursement	-	792	792
Interest	-	1,400	1,400
Miscellaneous	<u>7,000</u>	<u>6,620</u>	<u>(380)</u>
Total Revenues	53,000	33,228	(19,772)
 Expenditures			
General Government			
Township Board			
Salaries and Wages		765	
Miscellaneous		3,459	
Capital Outlay		<u>1,806</u>	
	8,000	<u>6,030</u>	1,970
 Supervisor			
Salaries and Wages	1,600	1,500	100
 Clerk			
Salaries and Wages		1,700	
Miscellaneous		<u>257</u>	
	1,958	<u>1,957</u>	1
 Treasurer			
Salaries and Wages		2,200	
Office Supplies		<u>571</u>	
	2,771	<u>2,771</u>	-
 Elections			
Miscellaneous	242	-	242
 Assessor			
Salaries and Wages	\$ 3,000	\$ 2,500	\$ 500

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Township Hall and Grounds			
Contracted Services	\$ 3,000	\$ 2,540	\$ 460
Board of Review & Appeals			
Salaries		780	
Miscellaneous		60	
	<u>1,000</u>	<u>840</u>	<u>160</u>
Total General Government	21,571	18,138	3,433
Public Safety			
Medical Rescue	1,200	1,200	-
Zoning Administrator			
Miscellaneous	<u>600</u>	<u>-</u>	<u>600</u>
Total Public Safety	1,800	1,200	600
Other Expenditures			
Unallocated			
Printing		307	
Payroll Taxes		695	
Insurance		292	
Miscellaneous		275	
Contingencies		-	
	<u>4,079</u>	<u>1,569</u>	<u>2,510</u>
Total Expenditures	<u>27,450</u>	<u>20,907</u>	<u>6,543</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 25,550</u>	12,321	<u>\$ (13,229)</u>
Fund Balance - Beginning		<u>42,489</u>	
Fund Balance - Ending		<u>\$ 54,810</u>	



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



September 15, 2006

Township Board
Township of Troy
Newaygo County
Bitely, Michigan 49309

Dear Board Members:

In connection with our audit of Troy Township as of and for the year ended March 31, 2006, we offer the following comments and recommendations .

BOOKS AND RECORDS

The books and records were again maintained in good condition. We only recommend that the Township keep a physical copy of the bank reconciliation. This could be attached to the monthly bank statement. A quirk of Quicken for tracking cash balances is the lack of ability to provide a copy of reconciliations of prior periods.

BUDGETING

We are pleased to report that the Township has adopted separate budgets for each fund for the year ended March 31, 2006. We are also happy to report that the budgets were amended at the end of the year for a small amount. However, we noted that the budget detail did not include anticipated beginning fund balances or expected carry-over of fund balance to the next year. We also noted that the budgets for funds other than General Fund did not include anticipated revenues. We recommend that the Township properly adopt a budget for each fund which includes all items required by State law.

GASB 34

We are excited to report that the Township has adopted modifications to the financial statements in accordance with GASB 34. The financial statements have a new and different look. We would be happy to answer any questions about the new financial statement reporting.

Thank you for the courtesy extended to us during our audit. We look forward to continuing to serve Troy Township.

Respectfully submitted,

Jodi DeKuiper, CPA

Jodi DeKuiper, CPA
Hendon & Slate, P.C.

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